

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BERRIEN TOWNSHIP	County BERRIEN
Fiscal Year End MARCH 31, 2006	Opinion Date SEPTEMBER 5, 2006	Date Audit Report Submitted to State SEPTEMBER 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) SCHAFFER & LAYHER, PLLC		Telephone Number 269-983-0131	
Street Address 805 VAN BRUNT AVENUE		City ST. JOSEPH	State MI
Authorizing CPA Signature 		Printed Name DAVID SCHAFFER	Zip 49085
		License Number 1101019253	

BERRIEN TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL STATEMENT

March 31, 2006

BERRIEN TOWNSHIP
BERRIEN COUNTY, MICHIGAN
FINANCIAL STATEMENT
MARCH 31, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board
Berrien Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berrien Township (the "Township"), as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Berrien Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Berrien Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and pages 21 and 22 are not a required part of the basic financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berrien Township basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
September 5, 2006

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Our discussion and analysis of Berrien Township's financial performance provides an overview of the Townships' financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in the discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- The Township's total net assets increased by approximately \$5,600. The increase in operating grants and contributions and decrease in legal expenditures incurred are major contributors to the net asset increase.
- Our investment strategy, that began in prior fiscal years, continued in the current fiscal year, and resulted in an increase in interest income of \$7,216.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about Township's activities.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2006.

	<u>Governmental</u> <u>Activities</u>	
	<u>March 31, 2006</u>	<u>March 31, 2005</u>
Current Assets	\$ 845,741	\$ 832,594
Other Assets	369,800	419,800
Capital Assets, Net	970,125	919,825
Total Assets	<u>\$ 2,185,666</u>	<u>\$ 2,172,219</u>
Current Liabilities	\$ 20,826	\$ 12,954
Total Liabilities	<u>\$ 20,826</u>	<u>\$ 12,954</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 970,125	\$ 919,825
Unrestricted	<u>1,194,715</u>	<u>1,239,440</u>
Total Net Assets	<u><u>\$ 2,164,840</u></u>	<u><u>\$ 2,159,265</u></u>

Unrestricted net assets are the part of net assets that can be used to finance day-to day operations. The current level of unreserved net assets stands at approximately \$810,405 or about 217% percent of expenditures.

The net assets of the Township increased approximately \$5,600 during the fiscal year ended March 31, 2006. The Township's overall financial health remains strong. The Township has been able to pursue projects as planned and budgeted.

The following table shows, in condensed format, the changes of the net assets during the current year.

	<u>Governmental Activities</u>	
	<u>March 31, 2006</u>	<u>March 31, 2005</u>
Program Revenues		
Charges for Services	\$ 49,183	\$ 51,509
Operating Grants and Contributions	105,288	59,673
General Revenues		
Property Taxes	89,688	95,153
State Shared Revenues	313,405	312,078
Unrestricted investment earnings	25,085	17,869
Franchise Fees	10,800	14,730
Miscellaneous	20,197	31,900
Total Revenues	<u>\$ 613,646</u>	<u>\$ 582,912</u>
Program Expenses		
General Government	\$ 249,950	\$ 322,957
Cemetery Care	21,925	24,627
Highway and Streets	22,290	13,439
Public Safety	177,803	164,792
Community Development	61,871	56,880
Parks and Recreation	15,418	15,547
Depreciation	58,814	50,479
Total Expenses	<u>\$ 608,071</u>	<u>\$ 648,721</u>
Change in Net Assets	<u>\$ 5,575</u>	<u>\$ (65,809)</u>

Governmental Activities

- Total 2006 governmental revenue increased from 2005 by approximately \$30,000, mostly due to an increase in contributions from Pipestone Township for the purchase of a fire truck.
- Total governmental expenses decreased by approximately \$40,000 from the prior year due to a decrease in legal fees.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 are the General Fund and Special Revenue – Fire Fund.

General Fund Budgetary Highlights

The General Fund pays for most of the Township's governmental services. The primary services provided include police and fire protection, administrative services, cemetery services, and parks and recreation.

During the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to decrease expenditures that were to be transferred into the fire fund. Total expenditures were approximately \$49,000 less than budget; however, revenues came in under budget by approximately \$45,000.

Capital Asset and Debt Administration

The Township's major capital expenditures during the current fiscal year included the purchase of a fire truck and other related fire equipment.

The Township currently has no debt.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next fiscal year reflects a slight increase in state-shared revenues, as well as an increase in revenues overall. Expenditures are also expected to increase slightly. As a result, the board has adopted a conservative budget that retains current fund balance, but also facilitates community priorities and quality services.

There are no other significant purchases or projects planned for the upcoming fiscal year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Paul Sprung, Treasurer, at the Township office.

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2006**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
Assets		
Cash	\$ 229,919	\$ 130,168
Investments	595,492	-
Accounts Receivable	1,070	-
Taxes Receivable	5,986	-
Note Receivable	-	800
Prepaid Expenses	-	2,442
Due from Fiduciary Funds	4,823	-
Due from Other Governmental Units	8,451	-
Due from Berrien County Road Commission	369,800	-
Capital Assets, Net	970,125	521,637
Total Assets	<u>\$ 2,185,666</u>	<u>\$ 655,047</u>
Liabilities		
Accounts Payable	\$ 12,165	\$ 3,090
Accrued and Other Liabilities	8,661	9,905
Long-Term Debt:		
Due within one year	-	14,579
Due after one year	-	104,804
Total Liabilities	<u>\$ 20,826</u>	<u>\$ 132,378</u>
Net Assets		
Invested in Capital Assets Net of Related Debt	\$ 970,125	\$ 402,254
Unrestricted	1,194,715	120,415
Total Net Assets	<u>\$ 2,164,840</u>	<u>\$ 522,669</u>

See accompanying notes to financial statements.

BERRIEN TOWNSHIP**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
MARCH 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Component Unit</u>
Primary Government					
<i>Governmental Activities</i>					
General Government	\$ 249,950	\$ 40,323	\$ -	\$ (209,627)	
Cemetery Care	21,925	8,860	-	(13,065)	
Highway and Streets	22,290	-	4,928	(17,362)	
Public Safety	177,803	-	100,360	(77,443)	
Community Development	61,871	-	-	(61,871)	
Park and Recreation	15,418	-	-	(15,418)	
Depreciation	58,814	-	-	(58,814)	
Total Governmental Activities	<u>\$ 608,071</u>	<u>\$ 49,183</u>	<u>\$ 105,288</u>	<u>\$ (453,600)</u>	
Component Units					
Eau Claire District Library	<u>\$ 198,385</u>	<u>\$ 83,361</u>	<u>\$ -</u>		<u>\$(115,024)</u>
General Revenues					
Property Taxes				\$ 89,688	\$ 116,418
State-Shared Revenues				313,405	6,577
Unrestricted Investments Earnings				25,085	348
Franchise Fees				10,800	-
Miscellaneous				20,197	-
Total General Revenues				<u>\$ 459,175</u>	<u>\$ 123,343</u>
Change in Net Assets				\$ 5,575	\$ 8,319
Net Assets-Beginning				2,159,265	514,350
Net Assets-Ending				<u><u>\$ 2,164,840</u></u>	<u><u>\$ 522,669</u></u>

See accompanying notes to financial statements.

BERRIEN TOWNSHIP

**GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2006**

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Total Governmental <u>Funds</u>
Assets			
Cash	\$ 221,843	\$ 8,076	\$ 229,919
Investments	595,492	-	595,492
Accounts Receivable	1,070	-	1,070
Taxes Receivable	5,986	-	5,986
Due from Fiduciary Funds	4,823	-	4,823
Due from Other Governmental Units	-	8,451	8,451
Due from Berrien County Road Commission	369,800	-	369,800
Total Assets	<u>\$ 1,199,014</u>	<u>\$ 16,527</u>	<u>\$ 1,215,541</u>
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ 12,165	\$ -	\$ 12,165
Accrued and other liabilities	6,644	2,017	8,661
Total Liabilities	<u>\$ 18,809</u>	<u>\$ 2,017</u>	<u>\$ 20,826</u>
Fund Balance			
Reserved for Long-Term Receivable	\$ 369,800	\$ -	\$ 369,800
Unreserved:			
Undesignated	810,405	14,510	824,915
Total Fund Equity	<u>\$ 1,180,205</u>	<u>\$ 14,510</u>	<u>\$ 1,194,715</u>
Total Liabilities and Fund Equity	<u><u>\$ 1,199,014</u></u>	<u><u>\$ 16,527</u></u>	

Amounts reported for governmental activities in the statement of net assets are different because:

- * Capital assets used in governmental activities are not financial resources and are not reported in the funds

970,125

Net Assets of Governmental Activities

\$ 2,164,840

See accompanying notes to financial statements.

BERRIEN TOWNSHIP

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
MARCH 31, 2006

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	\$ 89,688	\$ -	\$ 89,688
Licenses and Permits	40,323	-	40,323
Federal Sources	-	3,403	3,403
State Sources	313,405	-	313,405
Interest on Investments	25,085	-	25,085
Franchise Fees	10,800	-	10,800
Fire Department Contributions	-	96,957	96,957
Charges for Services	8,860	-	8,860
Streets and Highways	4,928	-	4,928
Other	15,767	4,430	20,197
Total Revenues	<u>\$ 508,856</u>	<u>\$ 104,790</u>	<u>\$ 613,646</u>
Expenditures			
Current			
General Government	\$ 249,950	\$ -	\$ 249,950
Cemetery Care	21,925	-	21,925
Highway and Streets	22,290	-	22,290
Public Safety	-	177,803	177,803
Community Development	61,871	-	61,871
Parks and Recreation	15,418	-	15,418
Capital Outlay	1,190	107,924	109,114
Total Expenditures	<u>\$ 372,644</u>	<u>\$ 285,727</u>	<u>\$ 658,371</u>
Excess (Deficit) of Revenues over (under)			
Expenditures	<u>\$ 136,212</u>	<u>\$ (180,937)</u>	<u>\$ (44,725)</u>
Other Financing Sources (Uses)			
Operating Transfers In	\$ -	\$ 180,783	\$ 180,783
Operating Transfers Out	(180,783)	-	(180,783)
Total Other Financing Sources (Uses)	<u>\$ (180,783)</u>	<u>\$ 180,783</u>	<u>\$ -</u>
Deficit of Revenue and Other Sources Under			
Expenditures and Other Uses	\$ (44,571)	\$ (154)	\$ (44,725)
Fund Balance-April 1, 2005	1,224,776	14,664	
Fund Balance-March 31, 2006	<u>\$ 1,180,205</u>	<u>\$ 14,510</u>	

Amounts reported for governmental activities in the statement of activities are different because:

*Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Change in Net Assets of Governmental Activities	50,300
	<u>\$ 5,575</u>

See accompanying notes to financial statements.

Assets

Cash and cash equivalents	\$ 4,823
Due from other governmental funds	-
Total Assets	<u>\$ 4,823</u>

Liabilities

Due to other governmental funds:	
General Fund	\$ 4,823
Due to other governmental units	-
Total Liabilities	<u>\$ 4,823</u>

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Berrien Township (the "Township") conform to accounting principles generally accepted in the United State of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units – A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. The Township currently has one blended component unit. The joint Fire Department between Berrien and Pipestone Townships is a blended component unit, and the Fire Department activity is reported as a Special Revenue Fund within Berrien Township's financial statements.

Discretely Presented Component Units – A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete. The Eau Claire District Library is a discretely presented component unit of the Township. Activity of the Library is presented in the Government-Wide Statement of Net Assets and Government-Wide Statement of Activities. This information is from the Library's financial statements for the year-ended July 31, 2005, which is the most recent information available.

Jointly Governed Organization – The Township is not part of any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, Concluded**

given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segments; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Taxes—The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2005 ad valorem tax is levied and collectible on December 1, 2005 and is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Township totaled \$122.7 million, on which ad valorem taxes levied consisted of .7331 mills for the Township's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable-current or as tax revenue.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity, Continued**

considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e. there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

D. Assets, Liabilities, and Net Assets or Equity, Concluded

appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government - Trustees	8,550	8,560	(10)
General Government - Financial and Office	65,792	66,891	(1,099)
Community Development	61,283	61,871	(588)

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

Fund sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

NOTE 3. DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$ 229,919	\$ 229,919	\$ 4,823
Investments	595,492	595,492	-
Total	<u>\$ 825,411</u>	<u>\$ 825,411</u>	<u>\$ 4,823</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking and savings accounts, CDs)	\$ 229,919	\$ 4,823
Certificates of deposit > 90 days	595,492	-
	<u>\$ 825,411</u>	<u>\$ 4,823</u>

Custodial Credit Risk-Deposits:

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006 \$543,396 of the Township's bank balance, including certificates of deposit, of \$870,466 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC of FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

Interest Rate Risk:

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Interest Rate Risk, Concluded**

ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk:

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township had no such investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2006, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2006, the Township had no such investments.

Foreign Currency Risk:

The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. RECEIVABLES AND PAYABLES

The Berrien County Road Commission receivable represents an interest-free loan to the Road Commission for Township road improvements. The remaining outstanding balance at March 31, 2006 is \$369,800 which will be repaid at \$50,000 per year through October 1, 2012 with a final \$19,800 payment due on October 1, 2013. The fund balance in the General Fund has been reserved for this amount.

NOTE 4. RECEIVABLES AND PAYABLES, CONCLUDED

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Revenue Fund	Total
Taxes Receivable	\$ 5,986	\$ -	\$ 5,986
Accounts	1,070	-	1,070
Less: Allowance for Uncollectible	-	-	-
	<u>\$ 7,056</u>	<u>\$ -</u>	<u>\$ 7,056</u>

Payables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Total
Payables:			
Trade	<u>\$ 12,165</u>	<u>\$ -</u>	<u>\$ 12,165</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	<u>\$ 65,642</u>	<u>\$ 4,914</u>	<u>\$ -</u>	<u>\$ 70,556</u>
Capital assets being depreciated				
Land improvements	\$ 48,873	\$ 1,190	\$ -	\$ 50,063
Building and building improvements	398,717	-	-	398,717
Equipment	883,937	103,010	-	986,947
Subtotal	<u>\$1,331,527</u>	<u>\$ 104,200</u>	<u>\$ -</u>	<u>\$1,435,727</u>
Accumulated Depreciation				
Land improvements	\$ 34,931	\$ 40	\$ -	\$ 34,971
Building and building improvements	127,172	8,007	-	135,179
Equipment	315,241	50,767	-	366,008
Subtotal	<u>\$ 477,344</u>	<u>\$ 58,814</u>	<u>\$ -</u>	<u>\$ 536,158</u>
Net Capital Assets Being Depreciated	<u>\$ 854,183</u>	<u>\$ 45,386</u>	<u>\$ -</u>	<u>\$ 899,569</u>
Net Capital Assets	<u>\$ 919,825</u>	<u>\$ 50,300</u>	<u>\$ -</u>	<u>\$ 970,125</u>

NOTE 5. CAPITAL ASSETS, CONCLUDED

Depreciation expense was not charged to programs of the primary government. The Township considers its assets to impact multiple activities and allocations are not practical.

NOTE 6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employees injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits, property, liability, and worker's compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue	General	<u>\$ 180,783</u>

NOTE 8. DESIGNATED NET ASSETS

The Township had no designated net assets.

NOTE 9. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of buildings and for electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to Public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	<u>For the Period Ended 3/31/2006</u>
Revenues	\$ 40,323
Expenditures	<u>37,941</u>
Excess of Revenues over Expenditures	<u>\$ 2,382</u>

REQUIRED SUPPLEMENTAL INFORMATION

BERRIEN TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
MARCH 31, 2006

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 1,224,776	\$ 1,224,776	\$ 1,224,776	
Available for Appropriation (Inflows)				
Taxes	\$ 102,100	\$ 102,100	\$ 89,688	\$ (12,412)
Licenses and Permits	53,000	53,000	40,323	(12,677)
Federal Sources	-	-	-	-
State Sources	326,341	326,341	313,405	(12,936)
Interest	19,000	19,000	25,085	6,085
Franchise Fees	9,000	9,000	10,800	1,800
Charges for Services - Cemetery	4,500	4,500	8,860	4,360
Other	35,325	35,325	15,767	(19,558)
Streets and Highways	5,000	5,000	4,928	(72)
Total Revenue	<u>\$ 554,266</u>	<u>\$ 554,266</u>	<u>\$ 508,856</u>	<u>\$ (45,410)</u>
Expenditures				
General Government				
Trustees	\$ 8,550	\$ 8,550	\$ 8,560	\$ (10)
Supervisor	20,545	20,545	18,561	1,984
Elections	1,050	1,400	1,334	66
Assessor	59,000	61,485	60,246	1,239
Clerk	27,490	27,490	21,256	6,234
Board of Review	1,958	2,191	2,094	97
Treasurer	20,770	20,770	19,827	943
Financial and Office	58,737	65,792	66,891	(1,099)
Township Hall and Grounds	11,750	11,750	9,998	1,752
Building Inspection	53,000	53,000	37,941	15,059
Board of Appeals	1,403	1,403	958	445
Planning Commission	9,810	9,810	3,474	6,336
Total General Government	<u>\$ 274,063</u>	<u>\$ 284,186</u>	<u>\$ 251,140</u>	<u>\$ 33,046</u>
Cemetery Care	24,730	24,730	21,925	2,805
Highways and Streets	22,800	22,800	22,290	510
Community Development	61,283	61,283	61,871	(588)
Parks and Recreation	19,390	20,604	15,418	5,186
Transfer Out	259,660	188,742	180,783	7,959
Total Expenditures	<u>\$ 661,926</u>	<u>\$ 602,345</u>	<u>\$ 553,427</u>	<u>\$ 48,918</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ (107,660)</u>	<u>\$ (48,079)</u>	<u>\$ (44,571)</u>	
Fund Balance/Net Assets - End of Year	<u>\$ 1,117,116</u>	<u>\$ 1,176,697</u>	<u>\$ 1,180,205</u>	

BERRIEN TOWNSHIP**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
MARCH 31, 2006**

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 14,664	\$ 14,664	\$ 14,664	
Available for Appropriation (Inflows)				
Fire Department Contributions	\$ 102,421	\$ 102,421	\$ 96,957	\$ (5,464)
Miscellaneous	-	-	7,833	7,833
Transfer in	187,249	187,249	180,783	(6,466)
Total Revenue	<u>\$ 289,670</u>	<u>\$ 289,670</u>	<u>\$ 285,573</u>	<u>\$ (4,097)</u>
Expenditures				
Fire Protection	\$ 289,660	\$ 289,660	\$ 285,727	\$ 3,933
Total Expenditures	<u>\$ 289,660</u>	<u>\$ 289,660</u>	<u>\$ 285,727</u>	<u>\$ 3,933</u>
Excess (Deficiency) of Revenue Over Expenditures	10	10	(154)	
Fund Balance/Net Assets - End of Year	<u>\$ 14,674</u>	<u>\$ 14,674</u>	<u>\$ 14,510</u>	



September 26, 2006

To the Township Board of
Berrien Township
Berrien Center, MI

In planning and performing our audit of the financial statement of Berrien Township ("Township") for the year ended March 31, 2006, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control structure and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

SEGREGATION OF DUTIES

The Township lacks an appropriate segregation of duties consistent with appropriate control objectives. We understand that this is primarily due to financial constraints.

We appreciate the courtesy and cooperation extended to us by you and members of the Township during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

A handwritten signature in black ink that reads "Schaffer & Layher". The script is cursive and fluid.

Schaffer & Layher
St. Joseph, MI

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA